

Message Text

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PAGE 01 CAIRO 01408 071126Z

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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P 070930Z FEB 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 1963

C O N F I D E N T I A L CAIRO 1408

EXDIS

FOR THE SECRETARY FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EAID EG US

SUBJECT: US ECONOMIC ASSISTANCE

REF STATE 26021; CAIRO 1317

1. WHEN WITH FAHMY LAST NIGHT, I TOOK THE OPPORTUNITY TO TELL HIM IN STRICT CONFIDENCE OF OUR INTENTION TO ASK FOR A \$300 MILLION LEVEL OF ECONOMIC ASSISTANCE FOR EGYPT IN FY 76. I HAD ALREADY DISCUSSED SUBJECT WITH HEGAZY AND REQUESTED THE PRIMIN TO INSTRUCT GOE MINISTRIES TO ASSIST US ON URGENT BASIS IN DRAWING UP DEFENSIBLE AND WELL DOCUMENTED PROGRAM FOR PRESENTATION TO THE CONGRESS. I ASKED HIM TO MAKE NO MENTION OF THIS UNTIL SUCH TIME OUR REQUEST IS PRESENTED TO THE CONGRESS SOME TIME IN MARCH.

2. PREDICTABLY, FAHMY THOUGHT THE AMOUNT WAS TOO LOW. A \$50 MILLION INCREASE, HE CONTENTED, WILL BE "LAUGHED AT" BY EGYPTIAN PUBLIC. IT SHOULD GO UP TO \$500 MILLION. TWO HUNDRED MILLION DOLLARS OUGHT TO BE FOR CONSUMABLES OF WHICH EGYPT IS AND WILL CONTINUE TO BE IN DIRE NEED. THE REMAINDER WOULD GO TO REFURBISHING BADLY NEGLECTED AND IN MANY INSTANCES ABSENT INFRA-STRUCTURE, SUCH AS ROADS AND ALEXANDRIA AND ASWAN AIRPORTS. A PROPER AIRPORT AT ALEXANDRIA WOULD OPEN THE NORTH COAST TO TOURISTS. A GOOD AIRPORT AT ASWAN WOULD INCREASE TOURIST BUSINESS THERE.

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3. I TOLD FAHMY THAT THE PROPOSED INCREASE IS SIGNIFICANT. IT IS ESPECIALLY SO WHEN THERE ARE COMPETING PRIORITIES AT HOME COUPLED WITH A GROWING AMERICAN DISENCHANTMENT WITH FOREIGN AID. I WAS FULLY AWARE OF THE INNUMERABLE PROJECTS THAT ONE HEARS ABOUT FROM EVERY EGYPTIAN MINISTER AND OFFICIAL. BUT I COULD ALSO TELL HIM THAT, HAVING CHECKED OUT SOME OF THESE, VERY FEW OF THEM HAVE REACHED THE POINT WHERE THEY CAN BE SERIOUSLY CONSIDERED FOR INVESTMENT OF FUNDS. WHILE EGYPT'S NEEDS ARE ADMITTEDLY GREAT, ITS ABSORPTIVE CAPACITY IN ANY GIVEN PERIOD OF TIME IS LIMITED.

4. I HAD ALREADY ASKED OUR AID PEOPLE TO LOOK AT FEASIBLE INFRASTRUCTURE PROJECTS AND HAD MENTIONED THIS TO HEGAZY, BUT COULD OBVIOUSLY NOT COMMIT US AT THIS TIME TO ANY SPECIFIC PROJECT. IN ANY CASE, GOE CANNOT EXPECT TO DO EVERYTHING IN ONE YEAR. NOR CAN IT EXPECT USG TO TAKE OVER EGYPTIAN ECONOMY. OUR PURPOSE, AS I HAD PREVIOUSLY OFTEN SAID TO HIM, IS TO HELP EGYPT ITSELF. THIS HAS BEEN OUR GUIDING PHILOSOPHY IN DEVELOPING AN ECONOMIC ASSISTANCE PROGRAM AND WILL CONTINUE TO BE SO. THREE HUNDRED MILLION DOLLARS, IF PROPERLY APPLIED, WILL GO FAR IN ASSISTING EGYPT TO MOVE OUT OF ITS ECONOMIC SLUMP.

5. FAHMY STILL GRUMBLED IT SHOULD BE \$500 MILLION. I WILL NOT BE SURPRISED IF HE RAISES THE SUBJECT WITH YOU DURING YOUR UPCOMING VISIT. FAHMY ALSO GRUMBLED THAT WE HAD FIRST MENTIONED THIS TO HEGAZY RATHER THAN TO HIM.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, FOREIGN ASSISTANCE APPROPRIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 FEB 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO01408
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750045-0539
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750264/aaaacfbu.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 STATE 26021, 75 CAIRO 1317
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 01 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 AUG 2003 by ShawDG>; APPROVED <22 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US ECONOMIC ASSISTANCE
TAGS: EAID, EG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006